135476

SDCBB302

III Semester B.B.A. Degree Examination, December/January - 2025/26
(SEP 2024 Scheme)
BUSINESS ADMINISTRATION
Financial Management
Paper - 3.4

NEW HORIZON COLLEGE LIBRARY KASTURINAGAR BANGALORE-43

Time :3 Hours **Maximum Marks : 80**

Instructions :

Answers should be written in English only.

SECTION - A

Answer any Five sub-questions. Each sub-question carries 2 marks. (5×2=10)

1. a. What is Financial Management?

   b. Give the meaning of Time Value of Money.

   c. What is Stock Dividend?

   d. What is Leverage?

   e. What is meant by Investment Decision?

   f. What is Working Capital?

   g. Given, Fixed Cost is Rs. 5,00,000, Profit before Interest and Tax is Rs. 3,50,000. Calculate Contribution.

SECTION - B

Answer any Three questions. Each question carries 6 marks. (3×6=18)

2. Briefly explain the primary objectives of financial management.

3. Aditi deposits Rs. 2,000 at the end of 1st year, Rs. 4,000 at the end of 2nd year, Rs. 6,000 at the end of 3rd year and Rs. 8,000 at the end of 4th year. Determine the future value of these cash flows accumulated at the end of 4 years. The rate of interest is 8% per annum.

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4. The following information is available in respect of a product.
   Units sold: 10,000
   Selling price per unit Rs. 25
   Fixed cost Rs. 30,000
   Variable cost per unit Rs. 5
   Tax rate 50%
   10% debt capital of Rs. 1,50,000
   Calculate three types of leverage.

5. The initial cash out lay of project is Rs. 2,00,000 and it generates cash inflows of Rs. 80,000, Rs. 60,000, Rs. 1,00,000 and Rs. 40,000. 8% rate of discount, calculate profitability index.

Years:	1	2	3	4
Discount Factor at 8%:	0.926	0.857	0.794	0.735

6. Explain the factors influencing the amount of working capital.

SECTION - C

Answer any Three questions. Each question carries 14 marks. **(3×14=42)**

7. Discuss the role of a finance manager in an organization.

8. Determine the EPS of Nivaabha Pvt. Ltd., which has an EBIT of Rs. 2,00,000. Its capital structure consists of the following securities.
   - 10% Debentures Rs. 6,00,000
   - 12% Preference Shares Rs. 2,00,000
   - Equity Shares of Rs. 100 each Rs. 5,00,000

   The company is in the 50% tax bracket. Determine the percentage change in EPS associated with 25% increase and 25% decrease in EBIT.

9. Hindustan Pvt. Ltd., is considering the purchase of a machine. Two machines are available, each costing Rs. 10,00,000 in comparing the profitability of these two machines a discount rate of 10% is to be used. Earnings after tax is expected to be as follows:

Years	Machine 'X' (Rs.)	Machine 'Y' (Rs.)
1	2,00,000	1,20,000
2	2,80,000	2,40,000
3	4,00,000	4,00,000
4	3,00,000	3,20,000
5	2,40,000	4,00,000

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Following are the PV factors of Re. 1 at 10% p.a. for the year 1 to 5

Year:	1	2	3	4	5
PV @ 10%:	0.909	0.826	0.751	0.683	0.621

Evaluate the proposal under:

a) Pay Back Period (PBP)
b) The Net Present Value (NPV)
c) Profitability Index (PI)

10. The management of Rakshita Industries has called for a statement showing the working capital needs to finance a level of activity of 3,60,000 units of output for the year. The cost structure for the company's product line the above mentioned activity level is detailed below:

Particulars	**Cost Per Unit (Rs.)**
Raw Material	60
Direct Labour	15
Overheads	45
Total Cost	120
Profit	30
Selling Price	**150**

Additional Information:

Item	**Time Period**
Raw Material in stock on an average	2 months
WIP (50% completion)	½ month's production
Finished goods in stock	1 month
Credit from suppliers	1 month
Debtor's credit	2 months
Lag in payment of wages	1 month
Lag in payment of overheads	½ month
Minimum cash balance	Rs. 60,000

Cash Sales are 30% of total sales. From the above data, you are required to prepare a statement showing working capital needs.

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11. Explain the factors influencing the capital structure of a company.

SECTION - D

Answer any One of the following question. The question carries 10 marks.

(1×10=10)

12. a. A Firm whose cost of capital is 10% is considering two projects A and B, the details of which are:

Particulars	Project A (Rs.)	Project B (Rs.)
Investment	2,00,000	2,00,000
Cash Inflow		
1	40,000	90,000
2	60,000	80,000
3	80,000	60,000
4	1,00,000	20,000
5	1,20,000	16,000

You being a financial manager suggest the management which project is preferable by calculating the Internal Rate of Return (IRR) for each project taking discount rates of 25% and 20% for Project A, and 10% and 15% for Project B.

Years	PV Factor @ 10%	PV Factor @ 15%	PV Factor @ 20%	PV Factor @ 25%
1	0.909	0.87	0.833	0.8
2	0.826	0.756	0.694	0.64
3	0.751	0.658	0.579	0.512
4	0.683	0.572	0.482	0.41
5	0.621	0.497	0.402	0.328

(OR)

b. Explain the various sources of Long Term Finance.